

VZCZCXRO0462
OO RUEHIK
DE RUEHMZ #0324/01 3521413
ZNR UUUUU ZZH
O 181413Z DEC 09
FM AMCONSUL MUNICH
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5002
RUEKJCS/SECDEF WASHDC
RUEHZG/NATO EU COLLECTIVE
RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RHEHNSC/NSC WASHDC
RUCNFRG/FRG COLLECTIVE

UNCLAS SECTION 01 OF 02 MUNICH 000324

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [PGOV](#) [EUN](#) [GM](#)

SUBJECT: Germany/Bavaria: Upheavals Threaten CSU Revival Hopes

REF: Berlin 1601

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SUMMARY

1. (SBU) Accusations of misleading the public and mismanagement threaten the reputations, if not the jobs, of both Defense Minister Karl-Theodor zu Guttenberg and Bavarian Finance Minister Georg Fahrenschon, two young men on whom many in the Christian Social Union pin their hopes for the future. Both are under great pressure for separate affairs that started well before they took office but which envelop them now. While the Defense Minister continues to struggle with Bundestag (parliamentary) questions of war and peace and what really happened with the tanker truck bombing in Kunduz (REFTEL), there was tumult on December 15 in the Bavarian Landtag (parliament) over the BayernLB - Hypo Alpe Adria Bank fiasco that will cost the state 3.75 billion Euros. The Bavarian SPD called for new elections, which seem unlikely at this point, but Minister President Horst Seehofer cited that threat in a CSU party meeting to get the attention of his cohorts, who are planning to start a campaign this spring across the state to reintroduce the CSU as a rejuvenated party. End Summary.

A Loss of Face for the CSU Youngsters

2. (SBU) Defense Minister Zu Guttenberg and Bavarian Finance Minister Fahrenschon are accused of having suppressed information, albeit in two very different cases. Zu Guttenberg is under fire over how he has handled the case of bombed fuel tankers in Kunduz (REFTEL). Fahrenschon allegedly concealed reports that would have uncovered mistakes of fellow CSU members in the acquisition by the state-owned bank ("Landesbank") BayernLB of the already deadbeat Austrian bank Hypo Group Alpe Adria (HGAA). In both cases, although many of the "mistakes were made" before the ministers took office, subsequent events have created fresh problems.

Zu Guttenberg has Touched the Third Rail

3. (SBU) MP Seehofer and the entire CSU executive committee backed up zu Guttenberg after he reportedly gave a spirited defense of his efforts in the Kunduz affair at a closed meeting of the CSU board on December 14 in Munich. CSU support in Bavaria might not help zu Guttenberg much on the federal level, but his popularity among Germans in general seems unbroken anyway. In a survey of the ZDF TV, released December 11, zu Guttenberg still ranked first among the ten most popular German politicians. Nevertheless, zu Guttenberg is in a perilous position, and his story is wrapped up in the larger question of whether Germany is "at war" in Afghanistan, perhaps the most difficult issue for the German public to debate.

"3.7 billion Euros could have been 5000 teachers"

¶4. (SBU) Closer to home, the Landesbank investment disaster has Bavarians hopping mad over "what all that money might have bought." The loss represents about ten percent of the Bavarian annual budget. Parliament almost erupted in fistcuffs on December 15 and the tone of the debate was more raw and personal than the Chairwoman, Barbara Stamm (CSU), could tolerate. Finance Minister Fahrenschon, who was not involved in the original decision, is widely seen as the best economic and financial expert in the CSU stable but he has also been questioned about allegedly withholding inspection reports in the Landesbank affair. Minister President Seehofer is speaking of personnel consequences and the media and public are focusing, for now, on members of the old Stoiber (CSU) administration, which approved the HGAA deal in 2007.

Terrible Time to Launch a Renewal Campaign

¶5. (SBU) All this comes just as the CSU is planning a campaign to reposition itself as a younger, more relevant party in Bavaria. Senior CSU politicians and state government officials told the Consul General and Political Officer in a series of recent conversations of complex CSU plans to engage constituents and the general public in over 100 district town hall meetings, starting early this spring. Senior CSU leaders would ask participants to suggest new ways to reach a younger and more heterogeneous Bavarian voting public. The results of these discussions would inform a reform of the party's overall approach. Ongoing, difficult Afghanistan and banking discussions could dominate and overshadow the meetings.

COMMENT

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¶6. (SBU) Zu Guttenberg and Fahrenschon seem unlikely to tumble, for now, but their so-far flawless careers have been tarnished by serious problems. This could make it harder for the CSU to use them effectively in efforts to create a new, "youthful" image of competence and relevance. Particularly the Landesbank disaster undermines the CSU's efforts to burnish its economic credentials as compared to its coalition partner FDP, but Finance Minister Fahrenschon is the CSU's only credible economic and financial expert. Even if the major mistakes were made before their time, public opinion will connect the dots between the affairs and the ministers' names. Should zu Guttenberg's and Fahrenschon's images suffer long-term damage, they might not be as attractive for future top positions in the CSU and then the CSU would have a serious personnel problem.

¶7. (U) Consulate General Munich coordinated this cable with Embassy Berlin.

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